



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

May 9, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY – A
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF
CHILDREN AND FAMILY SERVICES CONTRACT SERVICE
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of The Children's Center of the Antelope Valley (CCAV or Agency), a Department of Mental Health (DMH) and Department of Children and Family Services (DCFS) contract service provider. Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. DMH contracts with CCAV to provide mental health services, including interviewing participants, assessing their mental health needs, and implementing a treatment plan. DCFS contracts with CCAV to provide Family Preservation (FP) Program services. The FP Program provides services to children and families including support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether CCAV provided the services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

At the time of our review, DMH had two cost-reimbursement contracts with CCAV, and paid the Agency approximately \$2.2 million from July 2009 to April 2011. DCFS had two fee-for-service contracts with CCAV, and paid the Agency approximately \$2 million from July 2009 to May 2011. The Agency provides services in the Fifth Supervisorial District.

Results of Review

Our review disclosed a number of significant areas of non-compliance by CCAV. Specifically, the Agency billed the County approximately \$230,000 in questioned costs, and did not return approximately \$63,000 in unspent FP funds to DCFS as required. In addition, the Agency had difficulty meeting its financial obligations, and did not have adequate controls to ensure Program funds were used in accordance with their County contracts. The following is a summary of the issues noted in our review.

DMH and FP Fiscal and Administrative Review

CCAV:

- Did not provide documentation to support \$133,239 in payroll expenditures charged to the DMH and FP Programs.

CCAV's attached response indicates they agreed to reduce their DMH and FP FY 2009-10 and 2010-11 Cost Reports for the \$133,239 in unsupported payroll expenditures, and to repay DMH and DCFS for any excess amount received.

- Did not provide documentation to support \$86,939 in expenditures allocated to the DMH and FP Programs.

CCAV's attached response indicates that they will reduce the DMH and FP Cost Reports for the \$86,939 in unsupported expenditures, and repay the Departments for any excess amounts received.

- Did not return \$63,171 in unspent FP funds to DCFS.

CCAV's attached response indicates they agreed to repay DCFS \$63,171, and that they will return any future unspent FP funds to DCFS within 30 days after the end of each fiscal year as required.

- CCAV charged \$7,828 in disallowed expenditures.

CCAV's attached response indicates that they will reduce the DMH and FP Cost Reports for the \$7,828 in disallowed expenditures, and repay the Departments for any excess amounts received.

- CCAV incurred \$1,340 in overdraft bank fees between January 2011 and May 2011, because the Agency did not have sufficient cash to pay its expenses.

CCAV's attached response indicates that they have implemented a corrective action plan to reduce costs, raise funds, and secure a line of credit to ensure the Agency is financially viable, and has sufficient cash to operate the County Programs.

The Agency also did not have adequate internal controls over payroll and bank reconciliations. For example, eight (27%) of 30 Payroll Notification Forms reviewed, authorizing employee pay raises, did not have proper management approval. The unauthorized increases charged to the FP Program totaled \$2,706.

CCAV's attached response indicates that they have implemented a Corrective Action Plan to ensure they have adequate internal controls, and that they will reduce their Cost Reports by the \$2,706 in unauthorized charges.

DMH Program Review

CCAV staff had the required qualifications to provide DMH Program services. However, CCAV billed DMH \$836 for services to four clients that were not supported by Progress Notes. In addition, CCAV did not complete some elements of the Assessments, Client Plans, and Progress Notes as required by the DMH contract.

CCAV's attached response indicates that they will repay DMH the \$836, and that they have implemented a Corrective Action Plan to ensure that the Assessments, Client Plans, and Progress Notes are completed as required.

Need for Increased Monitoring

As noted earlier, our review disclosed significant issues with CCAV's operations. DMH and DCFS need to ensure that the Agency immediately corrects the deficiencies noted in our review. In addition, based on the significant deficiencies, DMH and DCFS need to place CCAV in the County's Contractor Alert Reporting Database (CARD). CARD is a centralized online database that alerts County departments of poorly performing contractors.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with CCAV, DMH, and DCFS. In their attached response, CCAV agreed with our findings and recommendations. DMH and DCFS will follow-up with CCAV to ensure that they address the outstanding findings and questioned costs.

Board of Supervisors
May 9, 2012
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We thank CCAV management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may call Don Chadwick at (213) 253-0301.

WLW:JS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Philip Browning, Director, Department of Children and Family Services
Sue Page, Executive Director, CCAV
Lori Fischer, Board President, CCAV
Public Information Office
Audit Committee

**THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND
FAMILY SERVICES CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2009-10 AND 2010-11**

BILLED SERVICES

Objective

Determine whether The Children's Center of the Antelope Valley (CCAV or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 30 billings, totaling 1,960 minutes, from 53,521 service minutes of approved Medi-Cal billings from July and August 2010, which were the most current billings available at the time of our review in August 2011. We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 1,960 minutes represent services to 15 clients.

Results

CCAV billed DMH a total of \$836 for services to four clients that were not supported by Progress Notes. The Los Angeles County Provider's Manual page 1-2 states that every claim must be supported by a note made in the client's clinical record before submission of the claim.

CCAV staff also did not complete some elements of the Assessments, Client Plans, and Progress Notes as required by the DMH contract. Specifically:

Assessments

None of the 15 Assessments reviewed complied with the DMH contract:

- Twelve of the Assessments did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the clients' diagnoses. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them. The County contract requires the Agency to follow the DSM when diagnosing clients.
- Five of the Assessments did not contain the Annual Assessment Updates with all required information. Two updates were not in the clients' charts, two updates were copied verbatim from the previous year, and one update was incomplete.

The number of exceptions noted exceeds the total number of Assessments reviewed because some Assessments had more than one exception.

Client Care Plans

Thirteen (87%) of the 15 Client Care Plans reviewed did not document treatment objectives in accordance with the County contract: Eight Client Care Plans did not document specific objectives five Client Care Plans did not relate to the clients' diagnosis; three Client Care Plans were incomplete; and one Client Care Plan was not in the chart.

The number of exceptions noted exceeds the number of Client Care Plans reviewed because some Client Care Plans had more than one exception.

Progress Notes

CCAV did not complete nine (60%) of 15 Progress Notes reviewed in accordance with the County contract. Specifically, the Progress Notes did not describe what the clients or Agency staff attempted and/or accomplished towards the clients' goals.

Informed Consent

CCAV did not have Informed Consents for four (27%) of the 15 clients reviewed who received treatment with psychotropic medication.

Recommendations

CCAV management:

1. Repay DMH \$836.
2. Ensure that Assessments, Client Care Plans, Progress Notes, and Informed Consents are completed in accordance with the County contract.

STAFFING QUALIFICATIONS

Objective

Determine whether CCAV treatment staff had the qualifications required to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website, and/or the personnel files, for nine treatment staff who provided services to DMH clients during January and February 2010.

Results

All employees reviewed had the required qualifications.

Recommendation

None.

FINANCIAL VIABILITY

Objective

Determine whether CCAV maintained sufficient working capital to operate the DMH and Department of Children and Family Services (DCFS) Family Preservation (FP) Programs.

Verification

We interviewed Agency management, and reviewed the Agency's financial statements and accounting records.

Results

CCAV did not maintain sufficient working capital to pay its bills within 60 days of receipt of invoice as required by the DMH contract, Paragraph 35, Termination for Insolvency. Between January 2011 and May 2011, CCAV incurred \$1,340 in bank overdraft fees because the Agency did not have enough cash to pay its bills.

Recommendation

3. CCAV management submit a plan to DMH and DCFS to improve their financial condition, including how the Agency will maintain sufficient working capital to pay its bills.

UNSPENT FP REVENUE

Objective

Determine whether CCAV returned unspent FP funding to DCFS as required by the FP contract.

Verification

We reviewed the Agency's accounting records and FY 2009-10 year-end report.

Results

CCAV reported \$63,171 in unspent FP Program funds at the end of FY 2009-10, which should have been returned to DCFS as required by Section 5.11 of the FP contract.

Recommendations

CCAV management:

- 4. Repay DCFS \$63,171.**
- 5. Ensure that unexpended FP Program funds are returned to DCFS within thirty days after the end of each fiscal year.**

CASH/REVENUE

Objective

Determine whether CCAV deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed CCAV's management, and reviewed their accounting records. We also reviewed the Agency's operating, payroll, money market, and reserve account bank statements for FY 2009-10 and 2010-11.

Results

The Agency deposited cash receipts and recorded revenue properly. However, CCAV did not maintain adequate internal controls over its funds. Specifically:

- CCAV's bank reconciliations were not accurately prepared, and were not signed by the preparer or reviewed by management. The beginning balances on the January and February 2011 payroll account reconciliation, and the January 2011 operating account reconciliation did not agree with the ending balances from the previous months' reconciliations as required. CCAV management was not aware of these mistakes, and did not provide any explanation.
- The operating account reconciliation for June 2011 listed 31 outstanding reconciling items. Fifteen (48%) of the items, totaling \$130,240, were over six months old. CCAV did not provide documentation or explanation for the 15 items.

- CCAV could not provide documentation to support two electronic bank transfers, totaling \$30,537, on their September 2009 reserve account and March 2010 operating account bank statements.
- CCAV did not require two authorized signature on all checks as required by A-C Handbook Section B.2.1.
- CCAV did not reconcile the petty cash account, and did not monitor petty cash usage. In addition, the Agency did not have supporting documentation for petty cash expenditures as required by A-C Handbook Section B.2.3, including checks where the check signer was also the payee.

Recommendations

CCAV management:

6. Ensure monthly bank reconciliations are signed by preparer and reviewed by management.
7. Ensure bank reconciliations are completed properly and outstanding reconciling items are resolved in a timely manner.
8. Review the \$161,077 (\$130,240 + 30,537 + \$300) in reconciling items, bank transfers, and petty cash expenditures, and repay the County for any unallowable or inappropriately billed expenditures.
9. Maintain adequate documentation to support all bank transactions.
10. Require two signatures on all checks.
11. Ensure petty cash accounts are reconciled, and maintain documentation for petty cash expenditures.

COST ALLOCATION PLAN

Objective

Determine whether CCAV prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management, and reviewed 25 shared expenditures incurred from July 2009 to April 2011, totaling \$86,939, to ensure that the expenditures were allocated appropriately to the DMH and DCFS FP Programs.

Results

CCAV's Cost Allocation Plan was prepared in compliance with the County contract. However, CCAV did not follow its Cost Allocation Plan. Specifically, CCAV allocated shared expenditures based on the budgeted full-time equivalents (FTE), not actual FTEs as required by the Agency's Cost Allocation Plan. The questioned costs totaled \$50,454:

FISCAL YEARS	INCORRECTLY ALLOCATED	
	DMH	DCFS FP
2009-10	\$ 13,742	\$ 9,656
2010-11	\$ 14,276	\$ 12,780
	\$ 28,018	\$ 22,436
TOTAL QUESTIONED COSTS	\$	50,454

In addition, CCAV allocated unallowable legal fees, duplicate insurance charges, and non-County Program-related expenditures to the County Programs. The disallowed costs totaled \$36,484:

FISCAL YEARS	UNALLOWABLE	
	DMH	DCFS FP
2009-10	\$ 5,431	\$ 4,004
2010-11	\$ 14,013	\$ 13,036
	\$ 19,444	\$ 17,040
TOTAL QUESTIONED COSTS	\$	36,484

Recommendations**CCAV management:**

12. Repay DCFS FP \$4,004 for unallowable FY 2009-10 expenditures.
13. Reduce the DMH FY 2009-10 Cost Report by \$19,173 (\$13,742 + \$5,431) for unallowable and incorrectly allocated expenditures, and repay DMH for any excess amount received or provide additional supporting documentation.
14. Reduce FY 2009-10 DCFS FP Program expenditures by \$9,656 for unallowable and incorrectly allocated expenditures, and repay DCFS for any excess amount received or provide additional supporting documentation.
15. Reduce FY 2010-11 DMH Program expenditures by \$28,289 (\$14,276 + \$14,013) for unallowable and incorrectly allocated expenditures,

and repay DMH for any excess amount received or provide additional supporting documentation.

16. Reduce FY 2010-11 DCFS FP Program expenditures by \$25,816 (\$12,780 + \$13,036) for unallowable and incorrectly allocated expenditures, and repay DCFS for any excess amount received or provide additional supporting documentation.
17. Ensure only allowable expenditures are charged to the County Programs.
18. Ensure allocations are based on actual data and supported by adequate documentation.

EXPENDITURES

Objective

Determine whether expenditures were allowable under the County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation for 35 expenditures, totaling \$43,554, billed to DMH and FP Programs between August 2009 and May 2011.

Results

CCAV charged the DMH and FP Programs a total of \$9,839 in questioned costs (\$9,042 for DMH and \$797 for the FP Program):

- Charged DMH and FP Programs \$3,609 in unallowable costs (\$2,812 for DMH in FY 2009-10 and \$797 for FP in FY 2010-11), such as food provided to staff, other non-DMH and FP related expenditures, and rent that was charged in the wrong contract year.
- Charged DMH \$5,272 in FY 2010-11 for expenditures that were not yet paid.
- Charged DMH \$958 (\$679 in FY 2009-10 and \$279 in FY 2010-11) for vehicle repairs that benefitted other programs as well.

After our review, CCAV provided documentation to support \$2,011 of the \$5,272 in DMH questioned costs.

Recommendations

CCAV management:

19. Reduce the FY 2009-10 DMH Cost Report by \$3,491 (\$2,812 + \$679) for unallowable and unsupported expenditures, and repay DMH for any excess amount received or provide additional supporting documentation.
20. Reduce FY 2010-11 DMH Program expenditures by \$3,540 (\$5,272 + \$279 - \$2,011) for unsupported expenditures, and repay DMH for any excess amount received or provide additional supporting documents.
21. Reduce FY 2010-11 DCFS FP Program expenditures by \$797 for unallowable and unsupported expenditures, and repay DCFS for any excess amount received or provide additional supporting documents.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with County funds were used for the appropriate Programs and were safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's inventory listing. We performed an inventory of five items purchased with County funds and reviewed their usage.

Results

CCAV appropriately used the five items for the DMH and FP Programs. However, CCAV's inventory listing did not include the description, serial number, date of purchase, acquisition cost, and source(s) of funding. In addition, the Agency was unable to provide documentation that they had conducted an annual inventory as required by A-C Handbook Section B.4.2.

Recommendations

CCAV management:

22. Ensure that all the required information is on the fixed asset listing.

23. Conduct and document an annual inventory as required.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to DMH and DCFS FP Programs. In addition, determine whether the Agency maintained personnel files as required.

Verification

We traced the payroll expenditures for 56 employees, totaling \$276,654, for June 2010 and March 2011 to the Agency's payroll records and time reports. We also reviewed employees' personnel files.

Results

CCAV maintained their personnel files as required by the County contracts. However, CCAV billed DMH and FP \$135,945 in questioned costs. Specifically, CCAV did not provide documentation to support \$133,239 in payroll expenditures charged to DMH and the FP Programs. The employees' timecards did not indicate total hours worked each day by program as required by A-C Handbook Section B.3.1. The following chart summarizes the questioned costs by department and program year.

Agency personnel indicated that the employees' timecards reflect budgeted hours, instead of the actual hours worked by program for each day. A-C Handbook Section B.3.1 states that time estimates do not qualify as support for payroll expenditures, and will be disallowed on audit.

CCAV also did not maintain adequate segregation of duties and other internal controls over its payroll processing as required by A-C Handbook. Eight (27%) of 30 Payroll Notification Forms authorizing employee pay raises reviewed did not have proper management approval. The unauthorized increases charged to the FP Program totaled \$2,706. In addition, the Agency reported that the prior controller was able to submit unauthorized pay raises for himself.

FISCAL YEARS	UNSUPPORTED	
	DMH	DCFS FP
2009-10	\$ 62,732	\$ 9,823
2010-11	\$ 51,846	\$ 11,544
	\$ 114,578	\$ 21,367
TOTAL QUESTIONED COSTS	\$	135,945

Recommendations

CCAV management:

24. Reduce the FY 2009-10 DMH Cost Report by \$62,732 and DCFS FP Program expenditures by \$9,823 for unsupported payroll expenditures, and repay DMH and DCFS for any excess amount received or provide additional supporting documentation.
25. Reduce FY 2010-11 DMH Program expenditures by \$51,846 and DCFS FP Program expenditures by \$11,544 for unsupported payroll expenditures, and repay DMH and DCFS for any excess amount received or provide additional supporting documentation.
26. Ensure employees record actual hours worked by program by day.
27. Ensure Payroll Notification Forms (pay rate change forms) are approved and signed by managers as required by the Agency's policy.
28. Ensure adequate separation of duties over payroll operations, and persons involved in making pay rate changes are independent of payroll functions.

COST REPORT

Objective

Determine whether CCAV's FY 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records. We also reviewed a sample of DMH Program's expenditures incurred from July 2009 to June 2010.

Results

CCAV's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



Board of Directors

February 7, 2012

Officers

Lori Fischer, President
Broker Associate Coldwell Banker
A Hartwig Company

Carmen J. Roberts, Treasurer
American Security Bank- Lancaster

Jackie Doutre, Secretary

Wendy L. Watanabe
Auditor-Controller
Countrywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

RE: CCAV-DMH/DCFS Contract Compliance Review

Dear Ms. Watanabe,

Members

Michael D. Cohen MD
Antelope Valley Infectious Diseases

Tonia L. Symensma-Cohen, Ph.D.
Antelope Valley Infectious Diseases

Jean McCandless, M.A.
Dept. Children and Family Services

Andrea Minghelli
Minghelli Pools

Rob Talbot
ReMax/All Pro Company

Susan Nasser, D.O.
AV Pediatrics Medical Associates

Robert Inani, MD
A Medical Corporation
Psychiatric Medicine, General Psychiatry,
Child and Adolescent Psychiatry

We are in receipt of your "draft" letter regarding the DMH/DCFS review from sample transactions of Fiscal Year (FY) 2009-10 and 2010-11.

In May of 2011, the Board of Directors and the Finance Committee of the Children's Center of the Antelope Valley (the Agency) identified that the internal controls were in place, but not necessarily being enforced. A Finance Auditor position was funded and created to immediately identify, address, and correct any issues. The Executive Director search focused on a Leader whose prior experiences included knowledge and understanding of County and State audits and she was hired in July, 2011. By the time the County audit commenced on August 2, 2011, a new leadership team had already corrected and implemented many of the deficiencies that the auditors note in this report. The following are responses to findings and recommendations from the contract compliance review:

Item #1

CCAV did not complete some elements of the Assessments, Client Plans and Progress Notes as required by the DMH Contract.

Executive Director

Sue Page
The Children's Center of the Antelope Valley

Tax ID #95-4212759

45111 N. Fern Ave. · Lancaster, CA 93534 · (661) 949-1206 Office · (661) 940-5452 Fax

CCAV-DMH/DCFS Contract Compliance Review
February 7, 2012
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Response to recommendation:

Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the DMH Contract.

The Children's Center of the Antelope Valley has implemented a plan of correction effective July 1, 2011 to ensure that we are in compliance with County Contract requirements as follows:

1. Current paperwork policy and procedures have been thoroughly reviewed and revised to improve the quality of services provided and provide additional oversight to the timeliness of paperwork submission by staff.
2. Once a week the Clinical Supervisor meets with the staff to review any items that were identified as issues of concern in the weekly QA meeting conducted with the Finance Auditor and the Quality Assurance Person.
3. Any issues in charts are tagged and resolved prior to the close of the billing month.
4. All therapists have reviewed and signed an Expectations worksheet so that they clearly understand the necessity of completing charts properly and timely according to County audits.
5. The Intake Packet now includes a Checklist that must be completed prior to the beginning of services.
6. Upon completion of the assessment, dates and goals are reviewed and calendared to ensure timely and accurate completion of paperwork, including but not limited to Annual Assessments.
7. The Clinical Staff continues to actively attend DMH and private trainings to ensure that they are aware of additional billing practices and requirements of the Evidenced Based Practices.

Item #2

Ensure that they have informed Consents in the Client's charts before treating clients with psychotropic medications.

Response to recommendation:

The Children's Center of the Antelope Valley has implemented a plan of correction effective January 1, 2012 to ensure that we are in compliance with the County contract requirements. These safeguards have been instituted to ensure compliance. In addition, CCAV management agrees to repay DMH \$836.00.

1. The Quality Assurance person will be the direct liaison with the contracted Psychiatrist and will pull and document all scheduled patient charts prior to the visit to ensure that that the Informed consent form has been completed and is filed in the chart.

CCAV-DMH/DCFS Contract Compliance Review
February 7, 2012
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2. The Finance Auditor will pull random charts on a weekly basis to review at the Wednesday afternoon Quality meeting to verify that the Quality Assurance person completes Step 1. Results will be reported to the appropriate management and clinical staff to assist in identifying and resolving any issues.
3. CCAV has contracted with a new Psychiatrist and has included the necessity of paperwork compliance in his clinic orientation effective February 6, 2012. This orientation process will be done with all new Psychiatrists/TelePsychiatrists that are subcontractors of CCAV.

Item #3

Ensure that CCAV is financially viable and maintains sufficient working capital to operate the DMG and DCFS Family Preservation programs.

Response to recommendation:

The Children's Center of the Antelope Valley has implemented a plan of correction to ensure that CCAV is financially viable and maintains sufficient working capital to operate the DMG and DCFS Family Preservation programs. All of these actions are ongoing by both CCAV Management and the Board of Directors

1. The cost cutting and efficiency procedures that were implemented in May, 2011 were completed in December 2011.
2. Current contractors are currently being paid within the required 60 days.
3. Back Accounts payable have all agreed to repayment plans without interest
4. The Board of Directors is re-engaged by the Executive Director with weekly strategic planning meetings including clearly defined fund raising possibilities.
5. The Board of Directors has instituted a \$10.00 of Hope Fundraising Campaign effective February 1, 2012 to increase unrestricted funds.
6. CCAV is in the process of securing appropriate Lines of Credit to ensure that there is adequate cash reserve to meet financial obligations as required by the County. This Line of Credit will be secured by the 15,000 square foot state of the art building valued at a minimum of \$2,000,000. The Line of Credit will be solely for working capital cash flow and all Debt will be approved by CCAV management and the Board of Directors. We anticipate this LOC will be in place by April 30, 2012.

CCAV-DMH/DCFS Contract Compliance Review
February 7, 2012
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Item #4

Repay DCFS \$63,171 of unexpended Family Preservation funds for the FY ending June 30, 2010. CCAV has agreed with this finding as of January 2, 2012.

Response to recommendation:

The Children's Center of the Antelope Valley has been actively working with the Department of Children and Family Services to re-pay this debt on a timely basis.

CCAV has implemented a plan of correction to ensure that the funds are paid back out of unrestricted fundraising and that any unspent funds for future Fiscal Years are returned to DCFS as required by Section 5.11 within (30) days following the end of the applicable fiscal year through the following corrections:

1. Monthly FP billing is balanced and actual costs are applied by the 10th of the month. Any revenues over expenses are immediately identified and the liability is accrued.
2. The Annual FP18 reconciliation is scheduled for completion on July 15th, 15 days after the close of the Fiscal Year to ensure compliance within 30 days of the Contract Year End.

Item #5

Ensure that adequate internal controls are maintained to ensure that County funds were accounted for and spent on reasonable and allowable expenditures. The specific areas that need to be addressed are bank reconciliation issues, two authorized signatures on all checks as required by Section B.2.1. of the AC Handbook and issues regarding controls over a \$300.00 petty cash account.

Response to recommendation:

CCAV has implemented an extensive plan of correction to ensure that internal controls are in compliance with the County contract requirements. These safeguards have been instituted to ensure compliance.

1. The Finance Director prepares and then signs the bank statements. The Finance Auditor reviews and then signs the bank statements. Any discrepancies are immediately reported to the Executive Director. This control was implemented on July 1, 2011
2. The staff worked extensively at fiscal year end with its independent auditors and is currently in the process of completing the journal entries and bookkeeping for each of those items. All un-cleared items are now reviewed on a monthly basis and any anomalies or issues are immediately reported to the Executive Director.

CCAV-DMH/DCFS Contract Compliance Review
February 7, 2012
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3. We have eliminated the separate payroll account that resulted in the un-cleared transfers and now utilize a 3rd party managed payroll company trust account for all payroll checks to eliminate the need for transfers, thus greatly reducing any risk of error or lack of documentation. We have determined that the \$161,077 (\$130,240 + \$30,537 + \$300.00) in reconciling items do not appear to have been spent on any unallowable County expenditures or expenditures billed to the County but not paid by CCAV.
4. All bank documentation is maintained in the same file as the Bank Statements and Reconciliations to ensure that adequate documentation is maintained in the Agency's files.
5. Effective September 1, 2011, two signatures (One CCAV management and one Board of Directors) are obtained on all checks prior to disbursement.
6. The Petty Cash account has been eliminated. If in fact it is reinstated in the next Fiscal Year, petty cash replenishment checks will be adequately supported.

Item #6

Ensure that CCAV prepared its Cost Allocation Plan in compliance with the County contract and used the Plan to allocate shared expenditures appropriately. CCAV agrees with the assessment that although the plan was prepared in compliance with the County contract, the plan was not followed by staff on a month to month basis.

Response to recommendation:

CCAV has implemented an extensive plan of correction to ensure that the Cost Allocation plan is in compliance with the County contract requirements, not only in creation but in implementation. These safeguards have been instituted to ensure compliance.

1. On a monthly basis an actual FTE analysis is prepared documenting the actual time spent by all employees on County Programs via timesheets and back up work calendars. This actual FTE calculation has extensive documentation to justify personnel costs.
2. All Purchase Orders that are considered to be shared expenditures or indirect costs are allocated on a monthly basis via the actual FTE calculation.
3. CCAV has agreed with the County recommendation to reduce the DMH FY 2009-10 Cost Report by \$19,173 for unallowable and unsupported expenditures and repay DMH for any excess amount received or provide the supporting documentation as required.
4. CCAV has agreed with the County recommendation to reduce the DCFS FY 2009-10 Cost Report by \$13,660 for unallowable and unsupported expenditures and repay DCFS for any excess amount received or provide the supporting documentation as required.

CCAV-DMH/DCFS Contract Compliance Review
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5. CCAV has agreed with the County recommendation to reduce the DMH FY 2010-2011 Cost Report by \$28,288 for unallowable and unsupported expenditures and repay DMH for any excess amount received.
6. CCAV has agreed with the County recommendation to reduce the DCFS FY 2010-2011 Cost Report by \$25,818 for unallowable and unsupported expenditures and repay DCFS for any excess amount received.
7. CCAV will continue to ensure that allocations are based on actual data and supported by adequate documentation.

Item #7

Ensure that Program related expenditures were allowable under the County contracts, documented properly and billed accurately.

Response to recommendation:

CCAV has implemented an extensive plan of correction to ensure that the Program-related expenditures are in compliance with the County contract requirements, not only allowable but documented properly and billed accurately. These safeguards have been instituted to ensure compliance.

1. Each Purchase Order is reviewed by the Finance Auditor prior to issuance to ensure that the Program-related expenditure is accurate, in budget, and allowable under the program. Any questions are addressed and resolved with CCAV Management prior to the issuance of the check.
2. All Leadership and CCAV Management staff receive monthly updates on allowable expenses per the Auditor Controller Handbook. All Leadership maintains a current copy of the AC Handbook on their computer for easy reference.
3. On a monthly basis the Profit and Loss for each program is reviewed by the Finance Committee of the Board of Directors to ensure that it is in line with Budgeted expectations. Any variances are explained.
4. Transportation request forms are matched to the actual transportation log to ensure that expense related to vehicles are appropriately split.
5. CCAV has agreed with the County recommendation to reduce the DMH FY 2009-10 Cost Report by \$3491 for unallowable and unsupported expenditures and repay DMH for any excess amount received.

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6. CCAV has agreed with the County recommendation to reduce the DMH FY 2010-11 Cost Report by \$3540 for unallowable and unsupported expenditures and repay DMH for any excess amount received.
7. CCAV has agreed with the County recommendation to reduce the DCFS FY 2010-11 Cost Report by \$797 for unallowable and unsupported expenditures and repay DMH for any excess amount received.

Item #8

Ensure that the Agency's Fixed Assets and equipment purchases made with County funds are used for the appropriate Programs and are safeguarded. In addition, ensure that fixed asset depreciation costs charged to DMG and DCFS FP Programs are allowable under the county contract, properly documented, and accurately billed.

Response to recommendation:

CCAV has implemented an extensive plan of correction to ensure that fixed assets and equipment purchases are compliance with the County contract requirements, not only upon acquisition, but throughout the life of the item. These safeguards have been instituted to ensure compliance.

1. CCAV has identified all County equipment including related manuals, warranties, etc. and has catalogued those items in a County Specific Fixed Asset Binder.
2. CCAV will commit to conducting an annual inventory of all Fixed Assets and Equipment, regardless of whether they were purchased with County funds by the end of June 30, 2012 as required by Section B.4.2 of the AC Handbook.

Item #9

Ensure that payroll expenditures were appropriately charged to DMH and DCFS FP Programs and that the agency maintains personnel files as required.

Response to recommendation:

CCAV has implemented an extensive plan of correction to ensure that the Personnel expenditures are appropriately charged and the Agency maintains personnel files as required. These safeguards have been instituted to ensure compliance.

1. The management approval protocol for pay changes has been modified to ensure that three appropriate people have approved the change.
2. The Finance Auditor receives a report of all said changes from the 3rd party payroll company at each payroll for any changes made during that payroll; this report is compared to Personnel Files for accuracy. This change was fully implemented in FY 2011-12 with a change in a Payroll Company that has the ability to provide such reports and lock data appropriately.

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3. CCAV has agreed with the County recommendation to reduce the DMH FY 2009-10 Cost Report by \$62732 for unsupported payroll expenditures and repay DMH for any excess amount received.
4. CCAV has agreed with the County recommendation to reduce the DCFS FY 2009-10 Cost Report by \$9823 for unallowable and unsupported expenditures and repay DCFS for any excess amount received.
5. CCAV has agreed with the County recommendation to reduce the DMH FY 2010-11 Cost Report by \$51846 for unallowable and unsupported expenditures and repay DMH for any excess amount received and is currently pulling supporting documentation to document said costs.
6. CCAV has agreed with the County recommendation to reduce the DCFS 2010-11 Cost Report by \$11544 for unallowable and unsupported expenditures and repay DMH for any excess amount received and is currently pulling supporting documentation to document said costs.
7. CCAV agrees that all Payroll Notification Forms are approved and signed by appropriate managers.
8. CCAV agrees to ensure adequate separation of duties is in place over payroll operation and that the person responsible for pay rate changes is independent of payroll functions.

If you have any questions, please contact me at 661/949-1206 x. 210.

Sincerely,



R. Sue Page
Executive Director

c: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
William T. Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Phillip Browning, Interim Director, Department of Children and Family Services
Sue Page, Executive Director, CCAV
Lori Fischer, Board President, CCAV
Public Information Office
Audit Committee